

## Private and Confidential

August 3, 2004

Mr. David C. McCourt  
Chairman and Chief Executive Officer  
RCN Corporation  
105 Carnegie Center  
Princeton, NJ 08540

Dear Dave:

Thank you for giving us the opportunity to work with you on this senior executive project for RCN Corporation. This highly confidential assignment would be an exciting one for us, especially given RCN's profile, the impact that the business has had in furthering competition in the multimedia market, and the value it could attain as an independent business or potentially, someday, as a prized asset for one of the global communications players.

The purpose of this letter is to confirm our working arrangements with you for conducting this particular assignment and to get your written authorization to proceed.

### Our Understanding of the Need

We understand that Spencer Stuart is being exclusively engaged for an executive search assignment to assist RCN in finding an individual to fill the position of CEO. This position, including specific responsibilities, will be further described in a detailed Position and Candidate Specification to be finalized shortly after consultation with you and the Search Committee.

### Staffing

In conducting this search, John J. Keller, who leads our Communications Practice, and Ann Blinkhorn Driscoll, the firm's cable and media specialist, will be the lead Spencer Stuart consultants responsible for ensuring the success of the assignment. Both consultants have extensive knowledge of the cable and communications sectors. We operate under a best-team approach that utilizes consultants who have specific industry knowledge, functional expertise, geographic reach or prior experience that is relevant to your search. We would also draw upon the extensive skills of our research staff in the candidate identification and development phases of the search and in this case would involve our colleague Amy Orlich, a Senior Associate, who has been intimately involved in many of our most successful CEO projects in which we identified and lured top talent to our clients.

Amsterdam  
Atlanta  
Barcelona  
Beijing  
Bogota  
Boston  
Brussels  
Budapest  
Buenos Aires  
Chicago  
Dallas  
Frankfurt  
Geneva  
Hong Kong  
Houston  
Johannesburg  
Leeds  
London  
Los Angeles  
Madrid  
Manchester  
Melbourne  
Mexico City  
Miami  
Milan  
Minneapolis/St. Paul  
Montreal  
Munich  
New York  
Orange County  
Paris  
Philadelphia  
Prague  
Rome  
San Francisco  
San Mateo  
Santiago  
Sao Paulo  
Scottsdale  
Shanghai  
Singapore  
Stamford  
Stockholm  
Sydney  
Tokyo  
Toronto  
Vienna  
Warsaw  
Washington, D.C.  
Zurich

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## **Our Approach**

Each search assignment follows a planned strategy and employs a systematic approach tailored to the client situation and candidate development requirements. Our standard documentation includes a Position and Candidate Specification that describes your unique circumstances, requirements and candidate qualifications in addition to a Target List of companies on which we will focus the primary search effort. This is coupled with a thorough, disciplined process for identifying and attracting the best qualified candidates for the position through our personal relationships, research capabilities, global database and network of contacts. If more extensive background checking is required, we also offer Enhanced Due Diligence Services in partnership with third-party investigative firms.

*See Assignment Procedure document on page 8 for more information about "Our Approach" and "Enhanced Due Diligence Services."*

## **Our Relationship**

Based on Spencer Stuart's almost 50 years of experience in executive search, we have formulated some guidelines to ensure a successful relationship with client companies. The understanding and acceptance of these guidelines will enable us to work together efficiently and professionally.

Spencer Stuart agrees to the following:

- In undertaking this assignment, Spencer Stuart will be engaging in a professional relationship with your organization. This means we always will aim to further your best interests, protect the confidentiality of information gathered during the assignment and deepen our understanding of your business so that we can represent you effectively.
- We will communicate with you, the members of the official Committee of Unsecured Creditors of RCN Corporation, or others you specify, as frequently as necessary to ensure the search remains on target and meets your expectations.
- Our off-limits policy is based on our commitment to not take advantage, on behalf of one client, of confidential knowledge we have about the executives of another client.
- To avoid possible conflicts of interest between our active clients, we will not approach direct reports or executives, within the business unit for which we have conducted an assignment, for one year from the completion of the last assignment and permanently for the placed candidate. There are four exceptions: when you have cancelled the search before a placement has been made; where you have experienced a change in control and our professional client relationship has lapsed; where the business unit has experienced significant growth by acquisition and then only with respect to that acquired group; or where the candidate already has declared intention to leave to

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his/her senior management. In the case of the latter, we would seek confirmation from the client before acting further on the candidate's behalf.

As our client, you agree to the following:

- Spencer Stuart will be the only consulting firm used on the assignment until either the assignment is completed or Spencer Stuart's involvement is terminated. If you have used other firms (on a contingency or retained-fee basis) to assist in recruiting an individual for this position, you will, on a best-efforts basis, provide Spencer Stuart with both the names of all prospective candidates surfaced by the other firm(s) and any information pertaining to why prospective candidates were not appropriate for the position.
- To enable Spencer Stuart to offer an informed, professional opinion with regard to the most suitable candidates, all candidates — including those whom you identify and want to be considered for the position (internal or external) — will be subjected to the same interviewing and screening process by our consultants.
- Subject to observance of customary confidentiality guidelines, Spencer Stuart may, from time to time, list your organization or logo or a specific executive placement in its marketing communication.

## **Administration, Fees and Expenses**

We charge a retainer fee and expenses for our services. Our professional fee is compensation for performing the executive search and is not contingent on the placement of a candidate. Our professional fee is one-third of the projected first year's total cash compensation, including any potential first year bonus. Should one-third of the actual total compensation package, including any potential bonus, exceed the amount invoiced by Spencer Stuart, we will adjust the percentage of our retainer to one-third of the agreed upon compensation, including any potential bonus, of the executive hired.

Since the CEO is expected to command a minimum total cash compensation package of at least \$500,000 we will establish a minimum retainer of \$150,000. Should the executive be hired at less than the projected minimum remuneration used to establish this retainer, this retainer will be our final fee and will not be adjusted downward. Under all circumstances, our fees are earned and due as billed and are not contingent upon your hiring a candidate presented by us.

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The above minimum retainer fee will be billed to your attention according to the following schedule:

<u>Date of Invoice</u>	<u>Retainer</u>	<u>Overhead</u>	<u>Sub-Total *</u>
First retainer to be paid upon approval of retention by Bankruptcy Court	\$50,000	\$5,000	\$55,000
August 31, 2004	\$50,000	\$5,000	\$55,000
September 30, 2004	\$50,000	\$5,000	\$55,000

*\* excluding out of pocket expenses which will be billed, as incurred, in addition to this amount*

Spencer Stuart shall be deemed to have completed the search assignment regardless of whether the candidate was recruited internally or introduced by another source. Should we complete the assignment prior to the end of the retainer period, our full fee is due at that time. If, for any reason, you decide to cancel the assignment after the first month, our fees are considered earned to the date of cancellation on a 90-day prorated basis from the date you authorized us to proceed on this project. However, the first month's fee plus associated overhead and expenses are considered earned in their entirety at the commencement of the assignment regardless of the date of cancellation.

Should you hire additional staff as a result of the assignment, a fee of thirty three and one third percent of the agreed upon first year's total cash compensation, including any potential first year bonus, for each additional hire will be billed to you. Furthermore, should you, or any successor or related entity, whether for this assignment or otherwise and for a period of one year from the termination of the assignment, hire an individual identified to you by us, our full fee is considered earned and due.

We also charge an amount equal to 10 percent of the retainer fee noted above during the three-month retainer period, that approximates our average expenses for office telephone, postage, computer communication, reprographics and contracted research associated with a typical assignment. In jurisdictions where required, applicable state and city service taxes will be added.

In addition to our professional fees, we bill you directly for the actual out-of-pocket cost of both consultants and candidates' interview and travel-related expenses, including videoconferencing costs, airfare, car rental/taxi fares, parking, meals and lodging, costs of any special report generated and expedited delivery costs. We also will charge you directly for the prorated portion of all out-of-office communications expenses, including cellular phone charges.

Should there be no placement after six months from the commencement of this search, the assignment will be reviewed in detail with you and, if necessary, changes will be made in the specification or search approach. Depending on the scope of the proposed

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redirection, Spencer Stuart will either submit a supplementary proposal letter, possibly incorporating additional fees, or terminate the assignment.

For your convenience and internal confidentiality, invoices for this project will be given a unique assignment number. For your records, Spencer Stuart's Tax Identification Number is 36-3538416. Invoices for professional services and expenses are due and payable upon receipt.

## **Replacement Searches**

Spencer Stuart agrees to make every possible effort to present you with the best candidates. However, we can not guarantee the performance of a candidate ultimately selected by you.

Spencer Stuart agrees that if a person is hired for the position of CEO for RCN Corporation and within one year of employment is terminated for cause by you and for reasons that should have been identified by Spencer Stuart during the search assignment, we will conduct a replacement search for no additional fee. However, expenses associated with the replacement search will be invoiced to you. The foregoing is the extent of Spencer Stuart's liability. You agree that Spencer Stuart is not liable for any consequential or other damage from the termination of employment placement.

## **Equal Employment Opportunity (Diversity)**

Spencer Stuart is an equal opportunity employer committed to the principles of nondiscrimination in the workplace. Spencer Stuart does not discriminate in employment on the basis of age, race, creed, color, religion, sex, sexual orientation, national origin, disability, marital status or any other basis that is prohibited by federal, state or local law. Spencer Stuart represents that, in providing the services described in this agreement, it has not and will not discriminate on any such basis. It is our policy to source and present candidates in a nondiscriminatory manner. Proactively, we make every good faith effort to include a diverse pool of candidates in our search assignments. Likewise, you represent that candidate information provided to you by Spencer Stuart will not be used in violation of any applicable federal, state or local equal opportunity law that you agree to comply with any employer requirements of the Fair Credit Reporting Act.

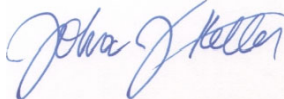
## **Agreement**

By having the appropriate authorized agent(s) of RCN Corporation sign in the space provided below, RCN Corporation agrees to the terms and conditions of this search assignment as outlined above.

Once again, Dave, we are honored to work with you on this important assignment. We'll do our best to execute it quickly and successfully.

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Best regards,



John J. Keller



Ann Blinkhorn Driscoll

**Agreed and Confirmed**

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David C. McCourt  
Chairman and Chief Executive Officer of RCN Corporation

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Date

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## FOR YOUR CONVENIENCE: CONTACT INFORMATION "TEAR OFF" SHEET

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Ann Blinkhorn Driscoll	Office telephone:	203.326.3733
	Office fax:	203.326.3737
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## SPENCER STUART: ASSIGNMENT PROCEDURE

### Our Approach

Our efforts generally are divided into a number of interrelated steps, as follows:

#### Preliminary Assignment Study and Development of Search Specifications and Strategy

Prior to undertaking the search itself, we participate in a series of meetings with your key executives, directors, representatives, etc., to gain as much knowledge of your organization and its management as conditions and confidentiality permit. In order to identify and attract the best candidates, we believe it is essential that we understand your activities and organizational environment, as well as possess an in-depth awareness of your plans, objectives and expectations. Our meetings with your key personnel usually include members of the anticipated selection team.

When this preliminary work is completed, we prepare and reach final agreement with you on a Position and Candidate Specification, which includes the position description and specifications for the ideal candidate. At the same time, we develop and review with you a basic search strategy and a list of target organizations on which the primary thrust of our search is expected to be focused.

#### Research, Source Contacts and Prospective Candidate Screening, and Evaluation

Utilizing the resources of our extensive research team, our global consulting staff and our research retrieval system, candidate prospects and sources are identified and discreetly contacted and screened. The most suitable prospects carefully are interviewed and evaluated against the ideal candidate specifications. Reference information is developed on prospective candidates, if possible, before introducing candidates to you.

#### Candidate Reports and Introductory Meetings

Comprehensive candidate reports are submitted to you prior to introductory meetings with the most qualified and attractable individuals. These reports include the following:

- Data and a detailed career history
- An incisive analysis and appraisal prepared by us
- If available, preliminary reference data compiled from our database, consultants or third-party sources

Candidate meetings then are scheduled with you. We are available to be present at these meetings, primarily in the role of an observer/facilitator. Our participation, albeit limited, can enhance our ability to provide the necessary guidance and support to both parties during the latter stages of the assignment.



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## Candidate Selection, Negotiations, Reference Checking and Closure

When the appropriate candidate is selected and the search enters the final negotiation and reference-checking stages, we participate as facilitators in both of these sensitive and sometimes difficult steps. Our past experience has shown that our participation often ensures a successful conclusion to the search.

The information in our reports generally is gathered from the candidate, the public domain and third-party sources (when available). If you prefer a more detailed background check, including criminal, credit, employment history, professional license or SEC violation checks, we offer Enhanced Due Diligence Services in partnership with third-party investigative firms.

In addition, we invite you to get acquainted with the background of the candidates and encourage you to conduct two or three reference checks on your own at an agreed-upon point in the process as you decide on a final candidate. After the selected candidate has joined your organization, we continue to monitor his/her progress and performance on a regular basis.

## Client Satisfaction Survey Program

Spencer Stuart is very interested in your view regarding the quality of our work. At the conclusion of each search, we conduct a Client Satisfaction Survey so that we can be responsive to any suggestions regarding our professional service. A representative from our Quality Assurance group will call you directly to ask for your assessment of our work once the assignment is concluded.

## **Enhanced Due Diligence Services**

In order to assist our clients, Spencer Stuart offers an optional service to supply more comprehensive background information about potential candidates. Working with two outside investigative firms, we provide three types of background checks that complement our search process for executive and board of director candidates. Spencer Stuart agrees to make every possible effort to provide reliable and accurate information about candidates; however, we cannot guarantee the 100-percent reliability or accuracy of the information provided by outside investigative firms.

In all cases, the candidate must provide Spencer Stuart with written consent prior to beginning the background check, which occurs after the final reference stage on the finalist candidate(s). The cost of these services is incurred by the client; however, Spencer Stuart does not profit from these supplementary services. All costs to clients are pass-through costs from third-party providers.

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## Level One Screen (public domain information only)

Cost: Quotation available from the firm you select

Estimated turnaround time: Three to five business days

- *Employment verification:* Extensive database searching is done, using publicly available print sources only, to find press reports or other online information that corroborate the executive's employment history. Please note: this does not include calling current and previous employers.
- *Civil and criminal litigation checks:* An extensive review of the relevant federal and state legal filing databases available to the public to identify any civil or criminal proceedings naming the candidate as a party. In addition, on-site courthouse searches will be conducted in certain relevant jurisdictions. If requested, the actual court documents can be obtained for further clarification for an additional cost.
- *Professional licensing authorities/securities regulatory checks:* A comprehensive search is conducted for any actions taken against the candidate by licensing authorities (e.g., accountancy boards) or by securities authorities (e.g., SEC, NASD).
- *Forensic article screen:* In-depth article searches are done in the local and national press in all the jurisdictions where the candidate has lived, using a wide variety of electronic information providers, to capture any controversies reported on by the media.

During the assignment, the investigative firm will provide oral updates, followed by a detailed, written report that reflects the pertinent findings.

## Level Two Screen (public domain information with deeper due diligence)

Cost: Quotation available from the firm you select

Estimated turnaround time: Five to 10 business days

This screen includes all the information obtained in a Level One Screen plus:

- *Employment history check:* All current previous employers are contacted to verify dates of employment. Current employers will be called only with the candidate's consent.
- *In-person search of court filings:* All allegations and/or indictments are more thoroughly investigated by obtaining complete copies of the available court filings and/or ordering of archived files.
- *Credit review:* A detailed credit check is conducted to review the person's credit history and identify any prior financial problems (e.g., insolvency, judgments, etc.).

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During the assignment, the investigative firm will provide oral updates, followed by a detailed, written report that reflects the pertinent findings.

## Board of Directors Screen (public domain information only)

Cost: Quotation available from the firm you select

Estimated turnaround time: Three to five business days

- *Employment verification:* Extensive database searching is done, using publicly available print sources only, to find press reports or other online information that corroborate the executive's employment history. Please note: this does not include calling current and previous employers.
- *Civil and criminal litigation checks:* An extensive review of both federal and state legal filing databases available to the public is completed to identify any civil or criminal proceedings naming the candidate as a party. In addition, we will search for criminal records in the county where the candidate maintains his/her primary residence and current place of employment. If requested, the available court documents can be obtained for further clarification for an additional cost.
- *Professional licensing authorities/securities regulatory checks:* A comprehensive search is conducted for any actions taken against the candidate by licensing authorities (e.g., accountancy boards) or by securities authorities (e.g., SEC, NASD).

During the assignment, the investigative firm will provide oral updates, followed by a detailed, written report that reflects the pertinent findings. Please note that not all states have their legal filings available electronically. Alternately, for an additional cost, the courts can be checked in person.